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In the Supreme Court of the United States

OCTOBER TERM, 1970

LYKES-YOUNGSTOWN CORPORATION and
LYKES BROS. STEAMSHIP CO., INC., PETITIONERS

v.

THE UNITED STATES

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

BRIEF FOR THE UNITED STATES IN OPPOSITION

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INDEX

	Page
Opinion below	1
Jurisdiction	1
Question presented	2
Statement	2
Argument	9
Conclusion	14

CITATIONS

Cases:

Lynch v. *United States*, 292 U.S. 571	13
Pacific Far East Line, Inc. v. *United States*, 184 Ct. Cl. 169	13
Sun Shipbuilding & Dry Dock Co. v. *United States*, 183 Ct. Cl. 358, 393 F. 2d 807	7-10

Statute:

Merchant Marine Act of 1936, as amended:	
46 U.S.C. 1151-1161 (Title V)	3, 12
46 U.S.C. 1171-1183 (Title VI)	2

Miscellaneous:

Maritime Administrator's Order No. 55, 27 Fed. Reg. 10355 (Oct. 23, 1962)	5, 8

In the Supreme Court of the United States

OCTOBER TERM, 1970

No. 399

LYKES-YOUNGSTOWN CORPORATION and
LYKES BROS. STEAMSHIP CO., INC., PETITIONERS

v.

THE UNITED STATES

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

BRIEF FOR THE UNITED STATES IN OPPOSITION

OPINION BELOW

The opinion of the Court of Claims (Pet. App. 1A-17A) is reported at 420 F.2d 735.

JURISDICTION

The judgment of the Court of Claims was entered on January 23, 1970. A timely motion for rehearing was denied on April 17, 1970 (Pet. App. 18A-19A). The petition for a writ of certiorari was filed on

July 15, 1970. The jurisdiction of this Court is invoked under 28 U.S.C. 1255(1).

QUESTION PRESENTED

Whether the Court of Claims correctly upheld the Maritime Subsidy Board's decision approving changes in vessels being constructed for petitioner but providing subsidy for less than the full cost of such changes.

STATEMENT

Petitioner Lykes-Youngstown Corporation ("petitioner") and its wholly-owned subsidiary, Lykes Bros. Steamship Company, own and operate ocean-going cargo ships between ports of the United States and foreign countries throughout the world. These shipping operations are conducted under an operating-differential subsidy contract which petitioner and the United States entered into pursuant to Title VI of the Merchant Marine Act of 1936, as amended, 46 U.S.C. 1171-1183.[1] Under that contract, in return for such subsidy petitioner agreed to operate each of its vessels on particular trade routes for a specified number of voyages annually and to replace its existing vessels according to a specified schedule with new vessels constructed in United States shipyards (Ex. 1).[2] This latter obligation was conditioned upon the

[1] The 20-year contract was executed for the United States by the Federal Maritime Board, the predecessor of the Maritime Subsidy Board. It became effective on January 1, 1958 (Pet. App. 2A).

[2] "Ex." refers to numbered exhibits contained in petitioner's exhibit volume filed in the Court of Claims.

provision by the United States of construction-differential subsidies, pursuant to Title V of the Act, as amended, 46 U.S.C. 1151-1161 (Ex. 1), in order that the higher cost of construction in domestic shipyards would be equalized with the lower cost of construction in foreign shipyards (Pet. App. 2A).[3]

In 1963 and 1964 petitioner, as owner, the Maritime Subsidy Board, and Avondale Shipyards, as contractor, entered into contracts for the construction of twelve new vessels. Divided into three groups of four vessels, each group was covered by two simultaneously-executed contracts—a construction contract among the three parties and a construction-differential subsidy contract between petitioner and the Board (Exs. 2-8). Under Article 4(b) of the general provisions of the construction contracts petitioner, with the approval or authorization of the Board, was permitted to direct changes in the plans and specifications of the vessels under construction (Ex. 8). Each construction contract allocated any increase in the contract price between petitioner and the Board on the following bases:

> The Board shall pay the Contractor * * * 49.8% and the Owner shall pay the Contractor * * * 50.2% of *. * * the net increase in Contract Price, * * * for changes in the contract work approved by the Board as eligible for construction-differential subsidy * * *.

---

[3] As the Court of Claims noted (Pet. App. 2A), the construction-differential subsidy is for the benefit of domestic shipbuilders rather than of domestic ship owners and operators.

(Ex. 2, Article IV(a)(ii).) Similarly, the construction-differential subsidy contracts provided:

> ARTICLE 1. *Grant of Construction-Differential Subsidy.* (a) The Board grants, in compliance with the provisions of Sections 501 and 502 of the Act, a construction-differential subsidy to aid in the construction of the Vessels by the Owner in the total sum of the following:
>
> * * * * *
>
> (ii) A sum which shall be equal to 49.8% of the net increase in the Contract Price * * * for changes in the contract work pursuant to Article 4 of the General Provisions, * * * (exclusive of changes in the national defense features, and *exclusive of changes of the Owner approved by the Board as ineligible for construction-differential subsidy*) approved by the Board as eligible for construction-differential subsidy * * *.
>
> * * * * *
>
> (b) In no event shall the grant under this Article 1 exceed 55% of the total cost of constructing the Vessels (exclusive of the cost of the national defense features plus changes applicable thereto, and *exclusive of changes approved by the Board as changes not eligible for construction-differential subsidy*) as determined by the Board. [Emphasis supplied]

(Ex. 3; see also Article 2(b).)[4]

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[4] The second and third pairs of contracts specified that the Board would pay 53.9 percent and 55 percent, respectively, of any net increase in the contract price resulting

In 1960, prior to execution of these contracts, the Chairman of the Federal Maritime Board had sent a policy guidance letter to the Committee of American Steamship Lines, of which petitioner was a member, advising that, save for exceptional cases, for any authorized changes in plans and specifications there would be an overall limitation on the government subsidy of two percent of the single vessel contract price.[5]

The dispute involved in this case arose out of requests by petitioner for Board approval of certain plan and specification changes as eligible for subsidy. In December 1963 and January 1964, respectively, petitioner requested such Board approval of the installation of four constant tension mooring winches, two forward and two aft, on the first and second groups of vessels under construction. The Board approved the initial request as eligible for subsidy in early January of 1964, and so notified petitioner. Petitioner, however, informed the Board that it wished to withdraw its request, and the Board cancelled its approval of the changes. (Exs. 10-13; Pet. App. 6A-7A.)

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from changes approved as eligible for subsidy. In all other respects here revelant, the three pairs of contracts were identical.

[5] The letter is reproduced in pertinent part in the Court of Claims opinion (Pet. App. 6A-7A) and in whole in an Appendix to this brief, *infra* at pp. 15-16. The Board's policy, as expressed in its 1960 letter, was reaffirmed in Order No. 55 issued by the Acting Maritime Administrator in 1962 (27 Fed. Reg. 10335) (See note 8, *infra*).

In March of 1965 petitioner requested Board approval as eligible for subsidy of the installation of a propeller-type bow truster forward and two constant tension mooring winches aft on each of the twelve vessels, at an increased cost to the government of $784,168.19 over the cost of installing four constant tension mooring winches on each of the twelve vessels (Ex. 16; Pet. App. 7A, 9A). In May of 1965 the Board approved the changes but limited the subsidy participation to its estimate of the current full cost of installing four constant tension mooring winches, with any excess cost for substituting a bow thruster for the two forward constant tension mooring winches to be borne by petitioner (Ex. 30-32). The reasons for this decision were fully indicated in the letter transmitting the decision to petitioner (Ex. 32).[6] After receiving notification of the Board's decision, petitioner arranged to pay the shipyard that portion of the increased contract price not approved for subsidy by the Board and directed it to make the changes (Ex. 34; Pet. 4A, 8A).

Thereafter, petitioner requested the Maritime Subsidy Board to reopen the matter and to remove the limitation on subsidy (Ex. 37). Denying the request and affirming its earlier decision, the Board ruled:

> "The language of the construction-differential subsidy and construction contracts clearly provides that changes proposed by the operator may be authorized by the Board but approved as "eligible" *for* subsidy *or without* subsidy.

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[6] The transmittal letter is reproduced in an Appendix to this brief, *infra* at pp. 17-22.

> The Board has not directed Lykes to adopt *any* of the combinations of winches and bow thruster; rather, it has advised Lykes what the subsidy consequences of each combination will be. The *rate* provided in the contract will be applicable to the amount involved in the "subsidizable" combination. * * *
>
> * * * [T]he contractual provisions for approval by the Board of proposed changes as eligible for subsidy imposes no obligation upon the Board to grant subsidy on any or all of the changes it is willing to permit the owner to make. The Board's willingness to grant flexibility of judgment to the owner does not require it to finance that judgment via subsidy.

(Ex. 44, at 3, 4.) The Acting Secretary of Commerce denied petitioner's request that the Secretary of Commerce review the Board's decision (Exs. 47, 49).

Petitioner then instituted the present action in the Court of Claims seeking $784,168.19 as damages for breach of contract by the Board. Petitioner moved for summary judgment, contending that under the construction-differential subsidy contracts the Board was required to pay the specified subsidies on the full cost of installing the bow thruster, and could not limit the subsidy to "eligible" changes (see Brief filed on Feb. 17, 1969 in Ct. of Cl.; Pet. App. 9A-10A). The Court of Claims denied petitioner's motion and granted the government's cross-motion for summary judgment (Pet. App. 17A).

The court cited as dispositive *Sun Shipbuilding & Dry Dock Co.* v. *United States*, 393 F. 2d 807, in

which, in circumstances virtually identical to those here, a shipyard sued the government on the construction contract for failure to pay the subsidy on the total cost of all the changes it had made at the direction of the shipowner and in which the government sought indemnity from the shipowner. The court observed that in Part I of its *Sun* opinion it had held the government liable to the shipyard because the construction contract provisions that the government had drafted were ambiguous and because the shipyard had *not* received notice of the Board's 1960 policy guidance letter which, by placing a 2 percent limit on subsidies of contract changes, clarified the construction contract's ambiguities (Pet. App. 11A-12A). But the court pointed out that in Part II of that opinion it had held the shipowner liable for indemnification of the government because the subsidy contract authorized the Maritime Administration to determine that certain increases in the contract price resulting from approved changes were eligible for subsidy and that others were not, and because the shipowner *had* received notice of the Board's 1960 policy guidance letter,[7] which either clarified any ambiguities in the subsidy contract or put the shipowner on notice to seek clarification from the Board (Pet. App. 12A-14A). Rejecting petitioner's attempts to rely upon Part I and to distinguish Part II of its *Sun* opinion, the court concluded that

[7] As here, the shipowner in *Sun* received notice of the 1960 letter through its membership in the Committee of American Steamship Lines, to which it had been sent (183 Ct. Cl. at 362-63; 393 F. 2d at 809-10).

its Part II ruling was equally applicable to petitioner (Pet. App. 14A-16A).

ARGUMENT

1. Petitioner argues that the Court of Claims is defeating the uniform interpretation of standard-form government contract provisions by construing such provisions against shipowners (including petitioner) here and in *Sun Shipbuilding* and in favor of the shipyard in the latter case.

The subsidy contracts provide that the Board may approve a change without agreeing to subsidize it; the Board's obligation to pay arises only when an approved change is found to be eligible for subsidy. The shipowner in *Sun Shipbuilding* did not dispute this, 393 F. 2d at 807, and we do not understand petitioner to do so here. Rather, petitioner argues that the Board's transmittal letter, in which it agreed to subsidize only the cost of two tension mooring winches forward plus two aft but approved the substitution of a bow thruster for two forward winches, together with the Board's later subsidy payments for four winches when only a bow thruster and two winches aft were installed, amounted to approval of a bow thruster as eligible for subsidy; that the bow thruster was only partially subsidized because it was more expensive than the two tension mooring winches it replaced; and that the Board therefore violated the contracts since it had no authority to subsidize less than the full cost of a change approved as eligible for subsidy. Petitioner's interpretation of the contract with respect to the Board's authority is not

novel; it is identical to that advanced by the shipowner in *Sun*. The Court of Claims properly rejected that interpretation in *Sun* and, consistent with that opinion, followed the same course here.

While the contract terms in both cases may not have been perfectly clear, any doubt that the Board could pay subsidy on only part of the increased price resulting from an approved change is laid to rest by the Board's policy guidance letter of 1960, which predated all the contracts. This letter explicitly stated that, save for exceptional cases, there would be no subsidy for changes exceeding 2 percent of the original contract price—a policy reaffirmed in 1962 by the Maritime Administrator's Order No. 55,[8] which was also published prior to the execution of the contracts here. In its transmittal letter limiting the subsidy to four tension mooring winches the Board specifically referred to this policy[9] and had good

---

[8] The Maritime Administrator's Order No. 55, 27 Fed. Reg. 10355 (Oct. 23, 1962), stated in pertinent part:

> Sec. 2. *Specific authorities redelegated to the Chief, Office of Ship Construction.* 2.01 Authority to approve changes in contract plans and specifications of ships constructed, reconstructed, converted, reconverted or reconditioned under construction-type contracts with the Maritime Administration, and authority to approve changes in cost and delay in delivery, if any, provided such changes do not result in a cost change in excess of $50,000 in any one instance and *provided the aggregate cost of the changes does not increase the cost of the ship by more than 2 percent of the single vessel contract price.* [Latter emphasis supplied]

[9] The Board stated that it had:

> 5. Determined that the limitation of the authority to the Chief, Office of Ship Construction to approve

reason to do so: the 2 percent limitation had already been exceeded on two of the contracts and, as the Court of Claims noted (Pet. App. 14A n.7), would have been exceeded on the other if the full cost of the bow thruster had been subsidized.

In this light the court's construction of these standard-form contract provisions was conducive to uniformity. Ambiguities have been consistently resolved in favor of the Board's interpretation when the owner has had notice of the Board's view prior to entering into the contract.[10]

---

changes under contract and change settlements remain at the percentage of the single vessel contract price as previously established by Administrator's Order No. 55 as modified by Board action of December 3, 1963, exclusive of the change authorized pursuant to this action.

(Ex. 32, p. 2.)

This 2 percent subsidy limitation was also specifically cited, in connection with Board deliberations on petitioner's requested changes, in the following memoranda from the Chief, Office on Ship Construction, to the Maritime Subsidy Board and excerpts from the official minutes of the Board: Ex. 15, pp. 10-11 (March 4, 1965 memorandum); Ex. 18, p. 2, paragraph 4 (minutes); Ex. 19, pp. 5-7 (March 24, 1965 memorandum); Ex. 21, paragraph 2 (minutes); Ex. 28, p. 8 (April 29, 1965 memorandum); Ex. 30, p. 2 paragraph 5 (minutes of Board decision).

[10] Petitioner contends that its membership in the Committee of American Steamship Lines, to which the Board's 1960 policy guidance letter was sent, was not sufficient to give it notice of the Board's interpretation of these contract provisions. But as the court pointed out (Pet. App. 6A-7A), petitioner did not deny that it had received the letter; and it makes no such denial now. From this, the court inferred that petitioner had received the letter and "was fully aware of its contents when it executed the con-

Petitioner argues that the court's decision frustrates the purpose of Title V of the Merchant Marine Act of 1936, to promote the domestic shipbuilding industry. Title V of the Act provides for government subsidy of only the original cost of having a vessel constructed in a domestic shipyard. That purpose was fulfilled here when the Board, pursuant to the construction-differential contracts, granted subsidies of the original vessel costs. The Act does not provide for government subsidy of *changes* in the original contract plans, requested by the shipowner after the construction contracts have been awarded. Rather, it is the Board, in the exercise of its discretion under the Act, which has undertaken to provide subsidies of requested contract changes—changes that, unlike the original contract, are not subject to competitive bidding. But the Board, both as a matter of policy and of contract terms, has reserved the right to limit such subsidies, of which the petitioner was fully aware. Thus, in limiting the subsidy for the changes requested by petitioner, the Board was merely exercising its authority under the contracts.

2. Petitioner attacks as inadequate the Court of Claims' review of the Board's decision to limit the

---

tracts involved here" (Pet. App. 7A). On the basis of these inferences the court concluded that, should petitioners not have been aware from the contract provisions themselves that the Board had reserved the right to pay subsidy on only part of the increased price from a change approved as eligible for subsidy, then the Board's 1960 letter and the 1962 order put petitioner on notice of that fact (Pet. App. 12A-14A).

subsidy of the contract changes. This attack must fail.

It has long been settled that "[w]hen the United States enters into contract relations, its rights and duties therein are governed generally by the law applicable to contracts between private individuals." *Lynch* v. *United States*, 292 U.S. 571, 579; *Pacific Far East Line, Inc.* v. *United States*, 184 Ct. Cl. 169, 184. With regard to the Board's action under the contracts here, the court specifically ruled that:

> This important fact is that it reserved unto itself the right and power to limit subsidy participation to an amount less than the cost of the changes and in effect so advised the plaintiff before the contracts were signed. The plaintiff executed the contracts with this knowledge and is deemed to have acquiesced in the arrangement. * * *
>
> * * * We conclude that the action of the Board was not arbitrary nor an abuse of discretion, but was a valid exercise of the authority conferred upon it by the contracts.

(Pet. App. 15A, 17A.) The Board's actions were fully considered by the court below, and there is no occasion for further review.

Finally, petitioner asserts that the grant of summary judgment in favor of the United States was improper because there were factual issues requiring resolution. But petitioner itself first moved for summary judgment below, evidently believing then that there were no remaining factual issues. Furthermore, the principle issue in the case concerned the legal effect of the Board's 1960 letter with respect to the

contract terms. Since petitioner never denied receiving this letter, no genuine issues of material fact were presented. The court having resolved the legal issues in the government's favor, summary judgment was an appropriate means of disposing of the case.

CONCLUSION

It is therefore respectfully submitted that the petition for writ of certiorari should be denied.

ERWIN N. GRISWOLD,
Solicitor General.

WILLIAM D. RUCKELSHAUS,
Assistant Attorney General.

ROBERT V. ZENER,
JAMES C. HAIR, JR.,
Attorneys.

September 1970

APPENDIX

Nov. 3, 1960

Committee of *American Steamship Lines*
1000 Connecticut Avenue, N. W.
Washington, D. C.

Gentlemen:

There appears to be a growing tendency upon the part of some operators to request substantial changes in design for new ships after construction contracts are awarded.

Cargo ships currently being constructed under the replacement program represent considerable effort on the part of the design agent and the operator's staff. They are generally fitted out with more elaborate equipment than their European counterparts with the view of reducing labor or cargo handling costs. This is proper when economically justified.

During the recent weeks, the Board, in connection with the cargo ship replacement program, has acted on several Changes Under the Contract involving considerable sums of money in which the Government subsidy participation is requested. In reviewing these several changes, the Board considered that the Owners' and the Government's interests are best served if modifications be reduced to an absolute minimum. As a normal procedure it is expected that the design will be finalized before requesting bids. Modifications made after award do not have the full advantages of competitive bidding.

On the basis that the ship owner is mutually interested in reducing shipbuilding costs and in order to establish Federal Maritime Board policy guidance to the Owner, the Board has agreed in the following:

1. In shipbuilding contracts involving the payment of Government subsidy, there will be an overall limitation of 2% of the single vessel contract price in connection with the authorization of changes under contract and approved cost settlements.

2. In exceptional cases and upon consideration of pertinent facts, the Board may during the construction of each vessel raise the limit of authority and approve cost settlements to the level it deems to be warranted by the special circumstances.

3. Where major changes are involved, even within the 2% limitation, and when such changes are warranted, the Board may approve the changes but limit the subsidy participation to the cost based on the change having been included in the original bid at time of award.

The Maritime Administration staff has been advised of these limitations. The cooperation of the Committee of American Steamship Lines in our effort to reduce changes under the contract is requested.

Sincerely yours,

RALPH E. WILSON
RALPH E. WILSON
Chairman,
Federal Maritime Board

May 18, 1965

Mr. Frank A. Nemec
President
Lykes Bros. Steamship Company, Inc.
P. O. Box 50998
New Orleans, Louisiana 70150

Dear Mr. Nemec:

Reference is made to your letter of March 12, 1965, to Mr. L. C. Hoffmann, Chief, Office of Ship Construction, as well as subsequent communications between Lykes Bros. Steamship Company, Inc., and the Maritime Administration, respecting your request for change order approval for the installation of a bow thruster forward and two constant tension winches aft on each of twelve ships, Design C4-S-66a (First, Second and Third Groups), Contracts MA/MSB-19, 30 and 36. After careful consideration of the foregoing subject the Board, by unanimous vote, at a meeting held on this date, took the following actions.

1. Granted approval to Lykes Bros. Steamship Company, Inc., to authorize an increased cost change under each of Construction Contract Nos. MA/MSB-19, 30 and 36, to Avondale Shipyards, Inc., for either the installation of a bow thruster forward and two constant tension mooring winches aft, or two constant tension mooring winches forward and two such winches aft, or any combination thereof.

2. Limited the subsidy participation under Construction-Differential Subsidy Agreement Nos. MA/MSB-20, 31 and 37 to only what would be the current full cost, as determined by the Board, of installing four constant tension mooring winches as a change under contract (preliminarily estimated at

$113,941 increased cost per ship) with any excess cost for substituting a bow thruster for the two forward constant tension mooring winches, or any combination thereof in excess of the cost of four constant tension mooring winches, to be for the Owner's sole account.

3. Noted the Contractor's request for an extension of the contract delivery dates by an additional 30 days but withheld extending the contract delivery dates until after actual deliveries at which time delay caused by the subject work will be determined.

4. Conditioned the foregoing authorization for construction-differential subsidy participation upon the understanding that no additional construction-differential subsidy will be authorized under any of Construction Contract Nos. MA MSB-19, 30 and 36, Construction-Differential Subsidy Agreement Nos. MA-MSB-20, 31 and 37, or under any subsequent reconstruction and reconditioning subsidy differential construction contracts for the installation of constant tension mooring winches upon any of the subject ships, as may be necessary in accordance with future Board or Company action, in excess of the construction-differential subsidy participation authorized by this action.

5. Determined that the limitation of the authority of the Chief, Office of Ship Construction to approve changes under contract and change settlements remain at the percentage of the single vessel contract price as previously established by Administrator's Order No. 55 as modified by Board action of December 3, 1963, exclusive of the change authorized pursuant to this action.

As you may know, the Maritime Subsidy Board has pursued a policy of authorizing, to the extent possi-

ble within the scope of available funds, a mechanization program in respect to any and all change orders which might have the present or ultimate effect of reducing labor input. In this respect the term "labor input" may be defined as "man hours of labor or work performed in executing all duties required aboard ship in the maintenance and operation of the subject vessel in a safe and efficient manner". In the pursuit of this program the Board recognizes that while a desirable mechanization feature might offer no immediate results in the actual reduction of crew the installation, if it possesses the ultimate effect of reducing labor input, may result in a reduced manning scale as a consequence of normal labor-management agreement negotiated at some future date.

In light of the foregoing, the Board gave careful consideration to the question, "What relationship, if any, both direct and indirect, do bow thrusters have to shipboard manning, with or without constant tension mooring winches?" In considering this question the Board reached the following conclusions:

(1) A bow thruster by itself, without constant tension winches, either eliminates or reduces tug usage and therefore reduces the overall need for men standing by at the forward end to handle tug lines. Since docking is the ship operation which requires the maximum number of men, a bow thruster simplifies this operation by working the ship close in to the dock without the need for long lines thus reducing work of the deck crew involved.

(2) A bow thruster or two constant tension winches forward may be considered generally equivalent to each other in reducing the number of deck crew needed forward. Either a combination of a bow thrusfer forward and two constant winches aft

or two constant tension winches forward and two constant tension winches aft without a bow thruster would require only a ten man unlicensed deck crew.

(3) If no constant tension winches were installed either forward or aft, but only a bow thruster, it is considered that one man in addition to the ten man deck crew would be required.

(4) If no bow thruster or constant tension winches were installed, either forward or aft, it is considered that two men in addition to the ten man deck crew would be required.

(5) If a combination of a bow thruster forward and two constant tension winches aft were installed as proposed by Lykes, the addition at a later date of two constant tension winches forward could possibly reduce shipboard manning below the ten man unlicensed deck crew if the Coast Guard were to relax their present rules of requiring 6 A. B. and 3 ordinary seamen for a cargo ship crew.

In addition, the Board in realization of the fact that a bow thruster may accomplish (a) reduced tug charges, (b) less strenuous work for the crew, (c) faster tie-up at dock, and (d) reduction in ship damage, gave consideration to the question, "What relationship, if any, both direct and indirect, do bow thrusters have to shipboard manning in a combination installation of the type proposed by Lykes Bros. Steamship Company, Inc. (bow thruster forward and two winches aft)?"

In considering this matter the Board concluded that a bow thruster in conjunction with two constant tension winches aft would, under prevailing conditions, permit a ten man unlicensed deck crew—one man less than if there were a bow thruster only,

without constant tension winches aft, and two men less than if there were no bow thruster or constant tension winches. In relation to overall unlicensed deck manning, two constant tension winches forward instead of a bow thruster would accomplish as much as the bow thruster in regard to overall shipboard manning. Again, from an operations viewpoint, the two constant tension winches would result in greater work saving than a bow thruster, with special reference to line handling after the ship has been docked and tied up.

On the basis of the foregoing, as well as other considerations entering into the Board's deliberations, the Board concluded that construction-differential subsidy participation should be limited to the cost of four constant tension mooring winches, as indicated in the actions of the Board set forth above. Moreover, the Board decided that since the installation of four constant tension mooring winches would have the ultimate effect of reducing labor input and at some future date could possibly reduce shipboard manning below the ten man unlicensed deck crew, authorization for Federal expenditure in the form of construction-differential subsidy should be limited as determined by the Board, and at the same time grant the Operator the choice of installing the system which he feels is most desirable. Accordingly, the Board placed a limitation on your current request for change order approval with subsidy participation not to exceed the cost of four constant tension mooring winches for each vessel, and with the further understanding that no additional construction-differential subsidy would be authorized for any future change orders relating to the possible installation of additional constant tension mooring winches.

Your attention is invited to the provisions of Section 7 of Department of Commerce Order No. 117, effective August 12, 1961, and revised April 9, 1962.

Please indicate your acceptance of the above action by signing and returning the enclosed copy of this letter, noting the date of signing thereon.

Sincerely yours,

s/ James S. Dawson, Jr.
JAMES S. DAWSON, JR.
Secretary

cc: Mr. Bartle

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101	830
200	830.1
240	832
300	833
510	115
515	539
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